

**ARIZONA DEPARTMENT OF FINANCIAL INSTITUTIONS**

In the Matter of the Revocation of the Mortgage  
Broker License of:

Case No.09F-BD042-BNK

**LENDING HOUSE FINANCIAL CORP. AND  
DORON JAMPOLSKY, PRESIDENT**  
668 North 44<sup>th</sup> Street, #300  
Phoenix, AZ 85008

**NOTICE OF HEARING AND COMPLAINT**

Respondents.

PLEASE TAKE NOTICE that, pursuant to Arizona Revised Statutes ("A.R.S.") §§ 6-138, and 41-1092.02, the above-captioned matter will be heard through the Office of Administrative Hearings, an independent agency, and is scheduled for December 18, 2008 at 9:00 a.m., at the Office of Administrative Hearings, 1400 West Washington, Suite 101, Phoenix, Arizona, (602) 542-9826 (the "Hearing").

The purpose of the Hearing is to determine whether grounds exist to suspend or revoke Respondents' mortgage broker license; to order any other remedy necessary or proper for the enforcement of statutes and rules regulating mortgage brokers in Arizona pursuant to A.R.S. §§ 6-123 and 6-131; and to impose a civil money penalty pursuant to A.R.S. § 6-132.

Pursuant to A.R.S. § 6-138, the Superintendent of Financial Institutions for the State of Arizona (the "Superintendent") delegates the authority vested in the Superintendent, whether implied or expressed, to the Director of the Office of Administrative Hearings or the director's designee to preside over the Hearing as the Administrative Law Judge, to make written recommendations to the Superintendent consisting of proposed Findings of Fact, Conclusions of Law, and Order. The Office of Administrative Hearings has designated Michael Wales, at the address and phone number listed above, as the Administrative Law Judge for these proceedings. Pursuant to Arizona Administrative Code ("A.A.C.") Rule 2-19-104 and A.R.S. §§ 41-1092.01(H)(1) and 41-1092.08, the Superintendent retains authority to enter orders granting a stay, orders on motions for rehearing, final decisions pursuant to

1 A.R.S. § 41-1092.08 or other order or process which the Administrative Law Judge is specifically  
2 prohibited from entering.

3 Motions to continue this matter shall be made in writing to the Administrative Law Judge  
4 not less than fifteen (15) days prior to the date set for the Hearing. A copy of any motion to continue  
5 shall be mailed or hand-delivered to the opposing party on the same date of filing with the Office of  
6 Administrative Hearings.

7 A.R.S. § 41-1092.07 entitles any person affected by this Hearing to appear in person and  
8 by counsel, or to proceed without counsel when submitting evidence, to have a reasonable opportunity  
9 to inspect all documentary evidence, to cross-examine witnesses, to present evidence and witnesses in  
10 support of his/her interests, and to have subpoenas issued by the Administrative Law Judge to compel  
11 attendance of witnesses and production of evidence. Pursuant to A.R.S. § 41 1092.07(B), any person  
12 may appear on his or her own behalf or by counsel.

13 Pursuant to A.R.S. § 41-1092.07(E), a clear and accurate record of the proceedings will  
14 be made by a court reporter or by electronic means. Any party that requests a transcript of the  
15 proceedings shall pay the cost of the transcript for the court reporter or other transcriber.

16 Questions concerning issues raised in this Notice of Hearing should be directed to  
17 Assistant Attorney General Nicholle Harris, (602) 542-7719, 1275 West Washington, Phoenix, Arizona  
18 85007.

#### 19 **NOTICE OF APPLICABLE RULES**

20 On February 7, 1978, the Arizona Department of Financial Institutions (the  
21 "Department") adopted A.A.C. R20-4-1201 through R20-4-1220, which were amended September 12,  
22 2001, setting forth the rules of practice and procedure applicable in contested cases and appealable  
23 agency actions before the Superintendent. The hearing will be conducted pursuant to these rules and the  
24 rules governing procedures before the Office of Administrative Hearings, A.A.C. R2-19-101 through  
25 R2-19-122. A copy of these rules is enclosed.  
26

1 Pursuant to A.A.C. R20-4-1209, Respondents shall file a written answer within twenty  
2 (20) days after issuance of this Notice of Hearing. The answer shall briefly state the Respondents'  
3 position or defense and shall specifically admit or deny each of the assertions contained in this Notice of  
4 Hearing. If the answering Respondents are without or are unable to reasonably obtain knowledge or  
5 information sufficient to form a belief as to the truth of an assertion, Respondents shall so state, which  
6 shall have the effect of a denial. Any assertion not denied is deemed admitted. When Respondents  
7 intend to deny only a part or a qualification of an assertion, or to qualify an assertion, Respondents shall  
8 expressly admit so much of it as is true and shall deny the remainder. Any defense not raised in the  
9 answer is deemed waived.

10 If a timely answer is not filed, pursuant to A.A.C. R20-4-1209(D), Respondents will be  
11 deemed in default and the Superintendent may deem the allegations in this Notice of Hearing as true and  
12 admitted and the Superintendent may take whatever action is appropriate, including suspension or  
13 revocation of Respondents' license and imposition of a civil penalty or restitution to any injured party.

14 Respondents' answer shall be mailed or delivered to the Arizona Department of Financial  
15 Institutions, 2910 North 44th Street, Suite 310, Phoenix, Arizona 85018, with a copy mailed or delivered  
16 to the Office of Administrative Hearings, 1400 West Washington, Suite 101, Phoenix, Arizona 85007  
17 and to Assistant Attorney General Nicholle Harris, Consumer Protection & Advocacy Section, Attorney  
18 General's Office, 1275 West Washington, Phoenix, Arizona 85007.

19 Persons with disabilities may request reasonable accommodations such as interpreters,  
20 alternative formats, or assistance with physical accessibility. Requests for special accommodations must  
21 be made as early as possible to allow time to arrange the accommodations. If accommodations are  
22 required, call the Office of Administrative Hearings at (602) 542-9826.

### 23 COMPLAINT

24 1. Respondent Lending House Financial Corp., ("Lending House") is an Arizona corporation  
25 authorized to transact business in Arizona as a mortgage broker, license number MB 0906011, within  
26 the meaning of A.R.S. §§ 6-901, *et seq.* The nature of Lending House's business is that of making,

1 negotiating, or offering to make or negotiate loans secured by Arizona real property, within the meaning  
2 of A.R.S. § 6-901(6).

3       2. Respondent Doron Jampolsky ("Mr. Jampolsky") is the President and CEO of Lending  
4 House. Mr. Jampolsky is authorized to transact business in Arizona as a mortgage broker within the  
5 meaning of A.R.S. § 6-903(E).

6       3. A September 11, 2007 through October 10, 2007 examination of Lending House, conducted  
7 by the Department, revealed that Lending House and Mr. Jampolsky:

- 8       a. Conducted mortgage broker business out of unlicensed branch offices, specifically:
  - 9           i. Respondents originated and closed at least 28 twenty-eight loans at unlicensed  
10           branch offices in Roseville, CA, Concord, CA, Folsom, CA, Reno, NV, Las Vegas,  
11           NV, Miami Beach, FL, and Tucson, AZ, totaling \$80,907.73 in fees paid to  
12           Lending House
- 13       b. Failed to keep samples of every piece of advertising relating to Respondents' mortgage  
14       broker business in Arizona;
- 15       c. Failed to conduct the minimum elements of reasonable employee investigations prior to  
16       hiring employees, specifically: A review of (29) twenty nine employee personnel records  
17       revealed:
  - 18           i. Failed to consult with the applicant's most recent or next most recent employer or  
19           failed to date said inquiry before hiring twenty six (26) employees;
  - 20           ii. Failed to inquire regarding an applicant's qualifications and competence or failed to  
21           date said inquiry for the position prior to hiring twenty eight (28) applicants;
  - 22           iii. Failed to obtain a credit report prior to hiring eighteen (18) employees;
  - 23           iv. Failed to conduct a further investigation of four (4) applicants with derogatory  
24           credit reports prior to hiring;
  - 25           v. Failed to obtain a completed and dated "I9" (Eligibility Verification Form) prior to  
26           hiring four (4) employees;

- vi. Failed to obtain a completed, signed, and dated employment application prior to hiring three (3) employees; and
- vii. Failed to obtain a signed statement attesting to all of the applicant's felony convictions, including detailed information regarding each conviction, before hiring one (1) employee;
- d. Contracted with or paid compensation to unlicensed, independent contractors, specifically:
  - i. Respondents purchased leads from Primary Residential Management, LLC, an unlicensed entity for a total of two thousand, one hundred sixteen dollars and fifty cents (\$2,116.50); and
  - ii. Respondents paid five (5) employees of Lending House as independent contractors and failed to report payroll advances to the payroll department; the appropriate Federal and State taxes were not deducted or paid by the employee or the employer;
- e. Failed to maintain complete and correct records, specifically:
  - i. Respondents failed to provide, for the examiners review, the requested employee files of four (4) employees;
- f. Failed to maintain complete organizational files, specifically:
  - i. Respondents failed to provide copies of the organizational minutes to the examiner for review;
- g. Failed to maintain originals or copies of all mortgage loan transactions, specifically:
  - i. Respondents' loan transaction files do not contain the initial loan application; and
  - ii. Respondents' loan transaction files do not contain documents showing the applications' final disposition;
- h. Allowed borrowers to sign regulated documents containing blank spaces, specifically:
  - i. Thirty (30) affiliated business arrangements were signed in blank;
  - ii. Five (5) truth in lending disclosures were signed in blank;

- 1           iii. Two (2) good faith estimates were signed in blank; and
- 2           iv. One (1) servicing transfer disclosure was signed in blank;
- 3       i. Failed to comply with the disclosure requirements of Title I of the Consumer Credit
- 4       Protection Act (15 U.S.C. §§ 1601 through 1666j), the Real Estate Settlement Procedures
- 5       Act (12 U.S.C. §§ 2601 through 2617), and the regulations promulgated under these acts,
- 6       specifically:
  - 7           i. The initial good faith estimate was untimely for two (2) borrowers; and
  - 8           ii. The initial truth in lending disclosure was untimely for two (2) borrowers;
- 9       j. Misrepresented or concealed an essential or material fact in the course of the mortgage
- 10       broker business, specifically:
  - 11           i. Loan officer R. S. made an unauthorized transfer of a borrower's loan from his
  - 12           previous employer Allegro Financial to Lending House. The borrower claims he
  - 13           never authorized or signed documents for said transaction and has filed a compliant
  - 14           against loan officer, R. S.;
  - 15           ii. Respondents took two (2) applications from a borrower with different information
  - 16           pertaining to income, years of employment, and the number of years at the current
  - 17           residence. An application dated August 17, 2005 lists the borrower's gross monthly
  - 18           income as \$8,000.00, shows the employer as Kym Appraiser, with the borrower
  - 19           having 23 years at the job, and 10 years at the current address. A second signed
  - 20           application lists the borrower's gross monthly income as \$4,500.00, shows the
  - 21           employer as Kym Appraiser, with the borrower having 13 years at the job, and 4
  - 22           years at the current address. The loan funded on November 16, 2005;
  - 23           iii. Respondents took two (2) signed applications from a borrower, both dated on
  - 24           November 18, 2006, showing different gross monthly incomes. One application
  - 25           shows a monthly income of \$7,000.00, the second application shows the
  - 26           borrower's monthly income as \$9,043.00. The loan funded on January 24, 2007;

iv. Respondents took three (3) signed loan applications from a borrower with different monthly incomes and employment information. On an application for the purchase of an investment property, dated December 6, 2005, the borrower's monthly income is listed as \$29,515.00. On the borrower's second application for the refinance of a primary residence, dated January 5, 2006, the borrower's monthly income is listed as \$33,215.00 and shows the employer as Norcapital Funding Corporation. The borrower's third application, dated January 26, 2006, lists the borrower's monthly income as \$71,069.00 and shows the employers as Norcapital Funding Corporation and Lending House. The loan funded on January 31, 2006. The borrower was hired as a loan officer for Lending House on December 19, 2005;

k. Respondent, Mr. Jampolsky, Lending House's Responsible Individual, failed to be in active management of Respondents' activities as governed by A.R.S. Title 6, Chapter 9 and all applicable rules, specifically:

i. Mr. Jampolsky has not supervised compliance as evidenced by the violations cited herein.

# LAW

1. Pursuant to A.R.S. §§ 6-901, *et seq.*, the Superintendent has the authority and duty to regulate all persons engaged in the mortgage broker business and with the enforcement statutes, rules, and regulations relating to mortgage brokers.

2. By the conduct set forth in the Complaint, Lending House and Mr. Jampolsky violated the following:

a. A.R.S. § 6-904(F), by operating out of unlicensed branch offices in Arizona, California, and Nevada;

b. A.A.C. R20-4-917(B)(7), by failing to keep copies of every piece of advertising relating to Respondents' mortgage broker business in Arizona;

- c. A.R.S. § 6-903(N) and A.A.C. R20-4-102, by failing to conduct the minimum elements of reasonable employee investigations prior to hiring employees;
- d. A.R.S. § 6-909(B) and A.A.C. R20-4-102, by contracting with or compensating unlicensed, independent contractors;
- e. A.R.S. § 6-906(A) and A.A.C. R20-4-917(B), by failing to keep and maintain, at all times, correct and complete records;
- f. A.A.C. R20-4-917(B)(1), by failing to maintain a complete organizational file;
- g. A.R.S. § 6-906(A) and A.A.C. R20-4-917(B)(6), by failing to keep and maintain originals or copies of all loans transactions;
- h. A.R.S. § 6-909(A) and A.A.C. R20-4-921, by permitting borrowers to sign regulated documents containing certain blank spaces without first obtaining the proper written authorization from the borrowers to complete the blank spaces;
- i. A.R.S. § 6-906(D) and A.A.C. R20-4-917(B)(6)(e), by failing to comply with the disclosure requirements of Title I of the Consumer Credit Protection Act (15 U.S.C. §§ 1601 through 1666j), the Real Estate Settlement Procedures Act (12 U.S.C. §§ 2601 through 2617), and the regulations promulgated under these acts;
- j. A.R.S. § 6-909(L), by making a false promise or misrepresentation or concealing an essential or material fact in the course of the mortgage broker business;
- k. A.R.S. § 6-903(E) and A.A.C. R20-4-102, by Mr. Jampolsky's failure to be in active management of Respondents' activities as governed by A.R.S. Title 6, Chapter 9 and all applicable rules.

3. The violations of applicable laws, set forth above, constitute grounds to suspend or revoke Lending House's and Mr. Jampolsky's mortgage broker license, number MB 0906011, pursuant to A.R.S. § 6-905(A).

4. Respondents misrepresented or concealed an essential or material fact in the course of the mortgage broker business by concealing material facts and making misrepresentations to lenders



1 regarding at least four (4) borrowers, which is grounds for suspension or license revocation pursuant to  
2 A.R.S. § 6-905(A)(3).


3 5. The violations, set forth above, constitute grounds for the pursuit of any other remedy  
4 necessary or proper for the enforcement of statutes and rules regulating mortgage brokers in Arizona  
5 pursuant to A.R.S. §§ 6-123 and 6-131.

6 6. Pursuant to A.R.S. § 6-132, Respondents' violations of the aforementioned statutes are  
7 grounds for a civil penalty of not more than five thousand dollars (\$5,000.00) for each violation for each  
8 day.

9 WHEREFORE, if after a hearing, the Superintendent makes a finding of one or more of the  
10 above-described violations or other grounds for disciplinary action, the Superintendent may suspend or  
11 revoke Lending House's and Mr. Jampolsky's mortgage broker license pursuant to A.R.S. § 6-905(A);  
12 order any other remedy necessary or proper for the enforcement of statutes and rules regulating  
13 mortgage brokers in Arizona under A.R.S. §§ 6-123 and 6-131; and impose a civil money penalty  
14 pursuant to A.R.S. § 6-132.

15 DATED this 29<sup>th</sup> day of October, 2008.

16 Felecia A. Rotellini  
17 Superintendent of Financial Institutions

18 By   
19 Robert D. Charlton  
20 Assistant Superintendent of Financial Institutions

21  
22 **ORIGINAL** of the foregoing filed this 29<sup>th</sup>  
23 day of October, 2008, in the office of :

24 Felecia A. Rotellini  
25 Superintendent of Financial Institutions  
26 Arizona Department of Financial Institutions  
ATTN: Susan Longo  
2910 North 44th Street, Suite 310  
Phoenix, AZ 85018

1 COPY mailed same date to:

2 Hon. Michael Wales  
3 Administrative Law Judge  
4 Office of Administrative Hearings  
5 1400 West Washington Street, Suite 101  
6 Phoenix, AZ 85007

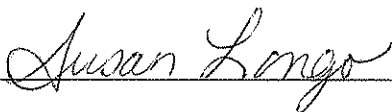
7 Nicholle Harris, Assistant Attorney General  
8 Office of the Attorney General  
9 1275 West Washington Street  
10 Phoenix, AZ 85007

11 Robert Charlton, Assistant Superintendent  
12 Gabriela Macias, Senior Examiner  
13 Arizona Department of Financial Institutions  
14 2910 North 44th Street, Suite 310  
15 Phoenix, AZ 85018

16 COPY MAILED SAME DATE by  
17 Certified Mail, Return Receipt Requested, to:

18 Doron Jampolsky, President  
19 Lending House Financial Corp.  
20 668 N. 44<sup>th</sup> Street #300  
21 Phoenix, AZ 85008  
22 Respondents

23 Jeffery C. Matura  
24 Statutory Agent for:  
25 Lending House Financial Corporation  
26 2700 N. Central Avenue #1200  
Phoenix, AZ 85012

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